PROVINCE OF MANITOBA

FINANCIAL UPDATE

FOR THE

2001/02 FISCAL YEAR

Department of Finance
March 2002

FINANCIAL UPDATE
PROVINCE OF MANITOBA

This update is **not** the Third Quarter Financial Report for the Province of Manitoba. Due to uncertainty related to the recently disclosed federal error regarding income tax payments such a report is not possible at this time. This update is intended to provide the information that is available in a timely fashion.

These pages present an update of the financial results of the Province of Manitoba as of December 31, 2001. The comparative data for the 2000/2001 fiscal year has been restated to reflect the organizational structure of departments established in the 2001/02 Estimates.

DECEMBER 31, 2001 - ACTUAL TO ESTIMATE

The net expenditure for the nine months ended December 31, 2001 of $215.3 million was $70.8 million higher than the projection of $144.5 million. Revenues were $102.2 million lower and expenditures were $31.4 million less than the nine-month plan. The variance is primarily attributable to differences in timing between the flow of receipts and disbursements.

DECEMBER 31, 2001 - COMPARED TO PREVIOUS YEAR'S RESULTS

December 31, 2001 net expenditure was $125.5 million more than for the same period last year. Expenditures were up $220.2 million primarily reflecting the higher level of expenditure approved in the 2001 Budget for the departments of Health, Education, and Family Services and Housing (totalling $278.4 million) and a reduction in public debt servicing costs to December 31, 2001 ($77.4 million). Revenue improved by $94.7 million mainly reflecting projected revenue growth included in the 2001 Budget that was experienced in results to December 31, 2001.

YEAR END PROJECTION

As a consequence of the recently disclosed federal error suggesting that Manitoba has been overpaid due to federal miscalculation of individual income tax payments, a yearend forecast is not provided at this time. The province is in discussions with the federal government regarding the full implications of the error on transfer calculations. We are working with the federal government to ensure that the province's revenue and related programs would not be adversely impacted by a reduction due to the federal miscalculation.

Expenditures are projected to increase $22 million or 0.3%. Increases of $83.1 million projected in health care expenditures as a result of wage pressures, continued price and volume pressures as well as emergency expenditures due to higher than anticipated fire suppression and flood-related damage costs are partially offset by a net decrease in other expenditures. These decreases include a $48.1 million decrease in public debt costs due to lower interest rates and a lower U.S. dollar debt exposure as well as lower than budgeted expenditures in most other departments. The expenditure forecast includes all of the requirements that were recently approved by special warrant.

Excluding revenues for equalization and personal income tax, which remain uncertain pending a final resolution of the treatment by the federal government of the recently discovered error regarding mutual fund trusts, total revenue is reduced by approximately $75 million primarily as a result of lower corporate income tax revenues.

YEAR END PROJECTION (continued)

Pending the outcome of discussions with the federal government, it is unclear what additional transfers from the Fiscal Stabilization Fund will be required to achieve a positive balance.

CAPITAL INVESTMENT

Expenditure for the acquisition of tangible assets was $0.6 million less than estimated for the third quarter and $7.1 million less than expenditures incurred during the same period last year mainly due to differences in funding requirements for various projects.

COMPLIANCE WITH BALANCED BUDGET LEGISLATION

The Balanced Budget, Debt Repayment and Taxpayer Protection Act includes a requirement for the Minister of Finance to report on compliance with the Act in the government's Third Quarter Financial Report (for the period ending December 31). This will be reported in the Third Quarter Financial Report.

DEBT RETIREMENT

The 2001 Budget provided for a $96.4 million contribution to the Debt Retirement Fund. As required by the balanced budget legislation, the Allocation Committee will determine the share of these funds directed to pension or general-purpose debt.

BORROWING ACTIVITY

The original estimate of borrowing requirements identified in the 2001 Budget was $2,200.8 million, including refinancing and funding for health capital. This requirement has increased to $2,441.7 million primarily as a result of funding an allocation to the Provincial Sinking Fund for the repurchase of foreign debt, and refinancing Centra Gas debt at a saving to Manitoba Hydro, offset by financing for self-sustaining programs, Manitoba Hydro and health capital being moved to next fiscal year. The revised estimate includes $2,269.7 million for refinancing maturing debt issues with the balance required for self-sustaining programs, including Manitoba Hydro, and to fund an allocation to the Provincial Sinking Fund for the repurchase of foreign debt.

For the period April 1, 2001 to December 31, 2001, $2,453.9 million has been borrowed of which $1,997.7 million was raised in the public market.

PROVINCE OF MANITOBA FINANCIAL UPDATE
OPERATING FUND
STATEMENT OF REVENUE AND EXPENDITURE
FOR THE NINE MONTHS ENDED DECEMBER 31, 2001
(with comparative figures for December 31, 2000)
(UNAUDITED)

2000/01 ACTUAL	2001/02 ACTUAL	INCREASE (DECREASE)		2001/02 ACTUAL	2001/02 ESTIMATE	2001/02 VARIANCE
(thousands of dollars)				(thousands of dollars)		
			Revenue			
3,150,313	3,275,388	125,075	Own Source Revenue	3,275,388	3,330,590	(55,202)
1,483,619	1,453,245	(30,374)	Government of Canada	1,453,245	1,500,213	(46,968)
4,633,932	4,728,633	94,701	**Total Revenue**	4,728,633	4,830,803	(102,170)
			Expenditure			
4,346,261	4,643,881	297,620	Program Expenditure	4,643,881	4,663,524	(19,643)
377,413	300,043	(77,370)	Debt Servicing	300,043	311,786	(11,743)
4,723,674	4,943,924	220,250	**Total Expenditure**	4,943,924	4,975,310	(31,386)
(89,742)	(215,291)	125,549	**Net Revenue/(Expenditure)**	(215,291)	(144,507)	70,784
			Interfund Transfers			
-	-	-	Debt/Pension Repayment	-	-	-
-	-	-	Fiscal Stabilization Fund	-	-	-
(89,742)	(215,291)	125,549	**Balance Under Balanced Budget Legislation**	(215,291)	(144,507)	70,784

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PROVINCE OF MANITOBA FINANCIAL UPDATE
OPERATING FUND
STATEMENT OF REVENUE
FOR THE NINE MONTHS ENDED DECEMBER 31, 2001
(with comparative figures for December 31, 2000)
(UNAUDITED)

2000/01 ACTUAL	2001/02 ACTUAL	INCREASE (DECREASE)		200102 ACTUAL	200102 ESTIMATE	200102 VARIANCE
(thousands of dollars)				(thousands of dollars)		
			Taxation:			
			Consumer and Corporate Affairs			
29,740	30,508	768	- Insurance Corporations Tax	30,508	29,683	825
10,145	11,271	1,126	- Land Transfer Tax	11,271	9,649	1,622
39,885	41,779	1,894		41,779	39,332	2,447
			Finance			
1,243,870	1,228,705	(15,165)	- Individual Income Tax	1,228,705	1,281,811	(53,106)
249,084	285,408	36,324	- Corporation Income Tax	285,408	284,292	1,116
98,012	95,978	(2,034)	- Corporation Capital Tax	95,978	105,866	(9,888)
105,763	105,671	(92)	- Gasoline Tax	105,671	106,540	(869)
155,906	159,399	3,493	- Levy for Health and Education	159,399	158,649	750
6,352	10,000	3,648	- Mining Tax	10,000	10,000	-
43,839	44,922	1,083	- Motive Fuel Tax	44,922	44,132	790
638,622	658,400	19,778	- Retail Sales Tax	658,400	651,730	6,670
35,941	38,436	2,495	- Revenue Act, 1964, Part I	38,436	38,913	(477)
81,676	95,993	14,317	- Tobacco Tax	95,993	96,085	(92)
2,160	2,365	205	- Environmental Protection Tax	2,365	2,333	32
103	422	319	- Other Taxation	422	88	334
2,661,328	2,725,699	64,371		2,725,699	2,780,439	(54,740)
			Industry, Trade and Mines			
3,390	2,685	(705)	- Oil and Natural Gas Tax	2,685	2,810	(125)
2,704,603	2,770,163	65,560		2,770,163	2,822,581	(52,418)
			Other Revenue:			
34,568	82,187	47,619	Conservation - Water Power Rentals	82,187	82,192	(5)
22,376	23,094	718	Conservation - Other	23,094	23,636	(542)
52,479	56,633	4,154	Transportation and Government Services	56,633	58,769	(2,136)
174,000	179,000	5,000	Manitoba Lotteries Corporation	179,000	179,000	-
108,100	108,700	600	Liquor Control Commission	108,700	108,200	500
54,187	55,611	1,424	Other Departments	55,611	56,212	(601)
445,710	505,225	59,515		505,225	508,009	(2,784)
3,150,313	3,275,388	125,075	**Total Own Source Revenue**	3,275,388	3,330,590	(55,202)
			Government of Canada:			
934,749	890,224	(44,525)	Equalization	890,224	937,267	(47,043)
498,968	507,024	8,056	Canada Health and Social Transfer	507,024	508,374	(1,350)
			Other			
1,703	3,646	1,943	- Justice	3,646	1,917	1,729
48,199	52,351	4,152	- Other Departments	52,351	52,655	(304)
1,483,619	1,453,245	(30,374)		1,453,245	1,500,213	(46,968)
4,633,932	4,728,633	94,701	**Total Revenue**	4,728,633	4,830,803	(102,170)

PROVINCE OF MANITOBA FINANCIAL UPDATE
OPERATING FUND
STATEMENT OF PART A - OPERATING EXPENDITURE
FOR THE NINE MONTHS ENDED DECEMBER 31, 2001
(with comparative figures for December 31, 2000)
(UNAUDITED)

2000/01 ACTUAL	2001/02 ACTUAL	INCREASE (DECREASE)		2001/02 ACTUAL	2001/02 ESTIMATE	2001/02 VARIANCE
(thousands of dollars)				(thousands of dollars)		
15,821	15,720	(101)	Legislative Assembly	15,720	16,819	(1,099)
2,327	2,356	29	Executive Council	2,356	2,409	(53)
16,644	18,715	2,071	Aboriginal and Northern Affairs	18,715	19,464	(749)
277,408	293,025	15,617	Advanced Education	293,025	294,963	(1,938)
67,726	62,929	(4,797)	Agriculture and Food	62,929	70,785	(7,856)
2,500	2,812	312	Civil Service Commission	2,812	3,038	(226)
5,239	4,987	(252)	Community Support Programs	4,987	5,205	(218)
106,932	109,052	2,120	Conservation	109,052	109,919	(867)
6,507	6,684	177	Consumer and Corporate Affairs	6,684	6,866	(182)
43,696	43,169	(527)	Culture, Heritage and Tourism	43,169	44,069	(900)
748,817	803,676	54,859	Education, Training and Youth	803,676	805,754	(2,078)
34,527	37,291	2,764	Employee Pensions and Other Costs	37,291	37,288	3
557,704	600,376	42,672	Family Services and Housing	600,376	591,887	8,489
86,743	84,622	(2,121)	Finance - Departmental Costs	84,622	86,053	(1,431)
377,413	300,043	(77,370)	Finance - Debt Servicing Costs	300,043	311,786	(11,743)
1,818,125	1,983,397	165,272	Health	1,983,397	1,982,867	530
7,180	10,225	3,045	Healthy Child Manitoba	10,225	11,195	(970)
26,110	27,264	1,154	Industry, Trade and Mines	27,264	21,369	5,895
106,324	88,649	(17,675)	Intergovernmental Affairs	88,649	91,785	(3,136)
152,762	161,276	8,514	Justice	161,276	163,885	(2,609)
17,174	18,376	1,202	Labour and Immigration	18,376	18,222	154
545	500	(45)	Seniors Directorate	500	511	(11)
7,750	7,727	(23)	Sport	7,727	7,834	(107)
776	808	32	Status of Women	808	845	(37)
216,973	234,215	17,242	Transportation and Government Services	234,215	235,541	(1,326)
234	935	701	Enabling Appropriations	935	1,998	(1,063)
19,717	25,095	5,378	Other Appropriations	25,095	32,953	(7,858)
4,723,674	4,943,924	220,250	**Total Expenditure**	4,943,924	4,975,310	(31,386)

PROVINCE OF MANITOBA
OPERATING FUND
STATEMENT OF PART B - CAPITAL INVESTMENT
FOR THE NINE MONTHS ENDED DECEMBER 31, 2001
(with comparative figures for December 31, 2000)
(UNAUDITED)

2000/01 ACTUAL	2001/02 ACTUAL	INCREASE (DECREASE)		2001/02 ACTUAL	2001/02 ESTIMATE	2001/02 VARIANCE
(thousands of dollars)				(thousands of dollars)		
29	25	(4)	Agriculture and Food	25	25	-
374	522	148	Conservation	522	589	(67)
-	20	20	Consumer and Corporate Affairs	20	69	(49)
89	-	(89)	Education, Training and Youth	-	-	-
4,388	59	(4,329)	Finance	59	390	(331)
-	360	360	Health	360	373	(13)
56	1,099	1,043	Justice	1,099	1,268	(169)
12,873	11,152	(1,721)	Transportation and Government Services	11,152	11,200	(48)
12,356	9,826	(2,530)	Enabling Appropriations	9,826	9,723	103
30,165	23,063	(7,102)	**Total Capital Investment**	23,063	23,637	(574)

PROVINCE OF MANITOBA FINANCIAL UPDATE
OPERATING FUND
STATEMENT OF VALUATION AND PURPOSE OF
DIRECT AND GUARANTEED DEBT OUTSTANDING
DECEMBER 31, 2001
(with comparative figures for March 31, 2001)
(UNAUDITED)

Canadian Dollar Equivalent at Date of Issue Dec. 31/01	Canadian Dollar Equivalent at Date of Issue March 31/01	Increase (Decrease) Dec. 31/01 over March 31/01		Canadian Dollar Valuation (Note 1) Dec. 31/01	Canadian Dollar Valuation (Note 1) March 31/01	Increase (Decrease) Dec. 31/01 over March 31/01
(thousands of dollars)				(thousands of dollars)		
			Direct Debt Payable in:			
11,616,696	11,576,012	40,684	Canadian Dollars	11,588,896	11,548,212	40,684
2,875,004	2,489,533	385,471	Issues Swapped to Canadian Dollars	3,107,523	2,624,374	483,149
3,744,854	3,656,931	87,923	U.S. Dollars	4,660,147	4,765,523	(105,376)
1,403,111	881,092	522,019	Issues Swapped to U.S. Dollars	1,554,173	1,015,640	538,533
19,639,665	18,603,568	1,036,097	Total Direct Debt	20,910,739	19,953,749	956,990
			Guaranteed Debt Payable in:			
605,117	416,102	189,015	Canadian Dollars	605,117	416,102	189,015
-	-	-	U.S. Dollars	-	-	-
605,117	416,102	189,015	Total Guaranteed Debt	605,117	416,102	189,015
			(Note 2)			
20,244,782	19,019,670	1,225,112	**Total Direct and Guaranteed Debt**	21,515,856	20,369,851	1,146,005
6,984,746	6,138,654	846,092	Less: Sinking Fund Investments	6,984,746	6,138,654	846,092
174,623	75,227	99,396	Less: Debt Retirement Fund	174,623	75,227	99,396
			(Note 3)			
13,085,413	12,805,789	279,624	**Net Direct and Guaranteed Debt**	14,356,487	14,155,970	200,517

PROVINCE OF MANITOBA FINANCIAL UPDATE
OPERATING FUND
STATEMENT OF VALUATION AND PURPOSE OF
DIRECT AND GUARANTEED DEBT OUTSTANDING
DECEMBER 31, 2001

NOTES:

1. The Canadian Dollar Valuation is calculated using the foreign currency exchange rates in effect at December 31, 2001 and March 31, 2001.

2. Direct and Guaranteed Debt are payable in Canadian and U.S. dollars. As at December 31, 2001, total gross debt was payable 74% in Canadian dollars and 26% in U.S. dollars. Of this total, General Purpose Debt and Other Debt was payable 93% in Canadian dollars (87% at March 31, 2001) and 7% in U.S. dollars (13% at March 31, 2001) while Manitoba Hydro was payable 43% in Canadian dollars (47% at March 31, 2001) and 57% in U.S. dollars (53% at March 31, 2001)

3. The above debt was issued for the following purposes:

	December 31, 2001		March 31, 2001	
	(in thousands)	(per capita) (Note 6)	(in thousands)	(per capita) (Note 6)
General Government Programs	6,334,653	5,513	6,537,300	5,693
The Manitoba Hydro-Electric Board	6,274,513	5,460	6,052,524	5,271
Capital Investments (Note 4)	260,390	227	260,390	227
Manitoba Hospital Facilities (Note 4)	390,000	339	220,000	192
Other	1,096,930	955	1,085,756	946
Total (Note 5)	14,356,486	12,494	14,155,970	12,329

4. Capital Investments are the stock of tangible assets held by government. These are paid off over the useful life of the assets (See Main Estimates page 161 for details.). Manitoba Hospital Facilities debt was recorded as Provincial debt for the first time in 2000/01. Previously, this debt was held in the name of individual health facilities at a higher overall cost to taxpayers. Hospital facilities debt is repaid over terms up to 20 years.overall cost to taxpayers. Hospital facilities debt is repaid over terms up to 20 years.

5. The $200.5 million increase in total debt is comprised of a $387.8 million increase due to the continued consolidation of Hospital Facilities debt on to the Province's records, combined with the refinancing of Centra Gas debt at a saving to Manitoba Hydro and the impact of a weaker Canadian dollar, offset by the 2001/02 deposit to the Debt Retirement Fund and general purpose debt being under funded which totalled $187.3 million.

6. Per capita data is based upon population figures at October 1, 2001 and April 1, 2001 as reported by Statistics Canada. Taxpayer supported debt, including debt for general programs, capital investments and hospital facilities, decreased as a result of general program debt being under funded offset by the continued consolidation of hospital facility debt. Self sustaining debt, including Manitoba Hydro, increased due to new cash requirements of Manitoba Hydro, refinancing of Centra Gas debt and the impact of a weaker Canadian dollar. Manitoba Hydro's U.S. dollar revenues are sufficient to pay the interest and principal on all outstanding U.S. dollar debt.

PROVINCE OF MANITOBA
STATEMENT OF DEBT RETIREMENT
PROJECTION FOR THE YEAR ENDING MARCH 31, 2002
(with comparative figures for March 31, 2001)
(UNAUDITED)

	2001/02 Projection	2000/01 Actual
	(thousands of dollars)	
Fund Balance, Beginning of Year	75,227	-
Revenue:		
Interest Earnings	3,900	227
Transfer from Operating Fund	96,000	96,357
	99,900	96,584
Expenditure:		
Transfer to Operating Fund for:		
- Debt Retirement	-	-
- Pension Obligation	(21,357)	(21,357)
	(21,357)	(21,357)
Fund Balance, End of Year	153,770	75,227

PROVINCE OF MANITOBA FINANCIAL UPDATE
OPERATING FUND
EXPENDITURE PROJECTION FOR THE YEAR ENDING MARCH 31, 2002
(UNAUDITED)

Total Expenditure to March 31, 2002

	Thousands of Dollars
Budget Projection	6,756,978
Revised Projection	6,779,258
Increase/(Decrease)	22,280

Analysis of Increased Expenditure

	Thousands of Dollars
Health Expenditures	82,915
Emergency Expenditures	17,686
Public Debt Expenditures	(48,131)
Other Programming	(30,190)
Net Projected Increase	22,280